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Andrew Weston

TWO LETTERS,

DESCRIBING

A METHOD

OF

Increasing the Quantity

OF

CIRCULATING-MONEY:

Upon a new and solid Principle.



LONDON: 1799.

A METHOD

OF

Increasing the Quantity

OF

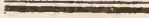
CIRCULATING-MONEY:

Upon a new and solid Principle.

LETTER I.

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INTRODUCTION.

THE PRINCIPLE of this Proposal is to put a NEW and GREAT CAPITAL into CIRCULATION, by LOANS of MONEY, to be *created* in the manner and upon the foundation described in the following LETTER, addressed to a Member of the late SECRET COMMITTEE of the HOUSE of COMMONS on BANK AFFAIRS.

THE gentleman, to whom the Letter was addressed, (whose name, if I thought myself at liberty to mention it, would add much authority to the whole proposal,) being himself struck with the novelty of the measure, and its apparent tendency to public utility, has been the means of procuring a considerable degree of favour to it ELSEWHERE.—But, if I were to say more of this, it could only be with a view to obtain attention,—not to influence the *public judgment*, which alone can decide in this case, as in all others where PUBLIC CREDIT is concerned.—Therefore, I shall only say, I have good reason to think that the *first impressions,*

impressions, made in the quarter to which I allude, are still RETAINED.

IT is my intention to point out in a future Letter, for which I have prepared materials, how I propose to confine the increase of money, in its first application, to the assistance of the LANDED INTEREST; and I shall, at the same time, answer such OBJECTIONS as I may hear of, or which my own thoughts may suggest to me; for, I shall disguise nothing.—In the mean time, I admit that it is necessary to the PRACTICAL EXECUTION of the plan, that the notes in question should be EXCHANGEABLE for ALL commodities,—by no means excepting GOLD; and exchangeable AT PAR: otherwise they cannot perform the office of MONEY.—I beg permission to add, that I think this may be ACCOMPLISHED. And I shall shew how the SECURITY may be DOUBLED, both in its *nature* and *amount*, without lessening the simplicity of the original design; and this to the extent of proving it to be ABSOLUTELY IMPOSSIBLE that the Note-Creditors should be *defrauded*, or *even disappointed*, SO LONG as any notion of LAW and PROPERTY shall continue practically to prevail in GREAT BRITAIN.

LONDON,

23d April 1799.

A
M E T H O D,

ᄃc. ᄃc. ᄃc.

SECT. I.—*Assumes the Necessity of an Extension of
the Circulating Medium.*

SIR,

OF late, we have heard but little of the plans for a NEW CIRCULATING MEDIUM, with which the public attention was much engaged about the time of the BANK'S ceasing to make payments in cash. No plan of that kind seems yet to have obtained general approbation; and, perhaps, that which I am about to submit to your consideration may not be free from objection.

I HAVE entered thus upon the subject without ceremony; because, Sir, the indulgence you have shewn me in the several conferences you have honoured me with on the occasion, has superseded the necessity of any introductory matter, unless I
had

had attempted to express the feeling I have of your obliging attention in this instance, which I decline, as a task not easy in itself, and still less so, in connection with other acts of condescension which I cannot fail to recollect, though I am not able to acknowledge them in the manner I should wish to do.

IN common with all those who have preceded me in this track, I begin with assuming that there would be found great convenience in the establishment of a good, solid, circulating medium, upon a more enlarged scale than any that exists at present, and adapted to the extended and extending state of our NATIONAL COMMERCE, and particularly to the wants of the LANDED INTEREST. If this was denied, or generally doubted, I should have little to say at present; for, if the necessity or utility of such an establishment is not self-evident, I should think the time for it is not yet come.

My experience in business, however, informs me that it is wanted.—Permanent loans of money are now, and for a long time have been, difficult to be obtained; and this difficulty must, from obvious causes, continue to increase so long as the war lasts.

SECT. II.—*Basis of a Plan for such an Extension.*

HAVING premised this, I proceed to state my plan for the establishment of a New Circulating Medium.

THE basis of it, as I have remarked in what you have heard from me already, I fix upon the NATIONAL DEBT, which is the WEALTH OF INDIVIDUALS.—For commercial purposes at least, I conceive this may be deemed solid substantial property—to a limited extent.

SUPPOSE the National Debt due to individuals to be equal to FOUR HUNDRED MILLIONS (or more) of 3 per Cent. Annuities of the value of 50 per cent.; that is, TWO HUNDRED MILLIONS sterling. This supposition is sufficiently accurate for my present purpose.

SECT. III.—*The Plan stated.*

Now, my scheme goes to the putting of a large portion, FIFTY MILLIONS, or more, of this property into circulation, if so much could be employed;

ployed ; and this I propose to be done in the following manner :

LET any stock-holder, who would wish to circulate some part of his STOCK, without selling it, transfer a certain quantity of it, suppose twenty thousand pounds 3 per Cents. to the GOVERNORS and DIRECTORS of the BANK. The Bank is then to deliver to him fifty certificates, or notes of the transfer, each of them to be marked as of the value of £.100, or a greater quantity in number, and of less value respectively ; but the whole together to be of the amount of £.5000 sterling.

By this means every particular quantity of stock might produce a fourth part of its nominal amount for the purposes of circulation. For, I make what I believe to be a well-grounded supposition, that the mercantile world, who now take BANK-NOTES in payment, would, with equal confidence, receive and circulate these STOCK-NOTES ; the Governors and Directors of the Bank of England being, in respect to the stock to be transferred to them, trustees for those who transfer the stock, and for those who take the stock-notes in payment, (as they now are trustees for the Bank-Proprietors and the holders of Bank-notes,) and the security being fully equal to that

that upon which the credit of Bank-notes is founded:—for, the capital and other effects of the Bank (reckoning its property in stock at the present market-rate) is certainly short of twice the amount of its debts. But the stock, transferred as I propose, would be double in value to the notes circulated upon its credit.

IN the case I have suggested, the 3 per Cents. would be taken at 25; a supposition low enough, I should suppose, for those who give any degree of credit whatever to the PUBLIC FUNDS. There can be no doubt that bankers and others would allow £.100 stock to be a sufficient security for £.25 money, notwithstanding all the possible fluctuations to which the stocks are subject.

THE notes I have described might be used for loans or for capitals to trade upon; their use in trade, and for other purposes, being supposed the same as specie or Bank-notes.

THESE notes being, by supposition, of the same value, and passing with the same facility as Bank-notes do, will be considered as CASH, and consequently, if lent by the original holders, or by any others who may become the holders of them, would entitle the lender to receive INTEREST ON

the loan, in like manner as the lender of bank-notes now receives interest on the loan of those notes.

THE supposition that these notes would be circulated like bank-notes is essential to my plan.— That foundation taken away, the whole would be an unsubstantial vision; and therefore, if this be not assented to, it would be of no use for me to go on. But, that point granted, (subject to re-consideration,) I say that every particular quantity of stock, transferred in the manner I have stated, would yield a profit to the stock-transferrer equal to 5 per cent. on the amount of stock-notes obtained by him.

TWENTY THOUSAND POUNDS, 3 per Cent. stock, would, as observed before, produce £. 5000 of stock-notes, the interest of which would be £. 250, to be added to £. 600, the amount of the dividends on £. 20,000 of that stock. Thus £. 850 would be gained annually, instead of £. 600, by every proprietor of £. 20,000 stock, who should avail himself of the opportunity of procuring stock-notes, as above mentioned.

WHAT I have said of 3 per Cent. stock, is to be applied to the *other* public funds in the like proportion;

proportion; the 3 per Cents. being mentioned only by way of example.

SECT. IV.—*Consequences of the Plan to Stock-Proprietors.*

I SHALL pursue the supposition thus made, and shall trace its consequences to the stock-proprietor, treating the matter at present as if no other interest than his was to be consulted; disregarding, therefore, at this moment, the interests of GOVERNMENT and the BANK OF ENGLAND, both of which I shall separately consider in what I have farther to say. In this point of view, I suppose the whole dividends on the stock are to continue payable to the stock-transferers; a supposition to be corrected in the farther progress of this discussion.

£. 850 being gained annually instead of £. 600, the value of stock may be expected to rise in proportion to the increase of gain.

IN the subsequent details on this point, I shall suppose the stock-proprietor would transfer his stock to the trustees, upon my plan, for the sake of much less advantage than what I have above described; for, out of the great profit above alluded to, it is necessary to provide inducements

to Government and to the Bank of England to countenance the plan.

At present I shall proceed to attend farther to the interests of the stock-proprietor.

WHAT objection can *he* make? Can he say his stock is *tied up* and put out of his power? No:—he may redeem it by bringing in to the Bank a quantity of stock-notes equal in amount to those originally obtained by him. These being cancelled, his stock would be again entirely free: or he may sell the stock subject to the charge upon it: this would make it *light* to hold; which, by rendering the stock more marketable, would increase its value.

MERCHANTS, bankers, country-gentlemen, farmers, and in general stock-holders of all descriptions, would be benefited by the plan, and particularly the *timid* would derive encouragement to *bold on* their *stock*. For if they withdraw half the amount of the present price of stock, they may realize that part on land, by procuring purchases or mortgages. This would also accommodate those who want to sell land, or borrow money on it, or to borrow on other security.

THE transferrer would retain to himself the advantage of future increase of price, just as if he had not taken the stock-notes.

SECT. V.—*No Danger to them.*

BUT is there no final danger of loss to the stock-proprietor upon this plan? *None*, I think. For suppose the holders of the stock-notes should become alarmed for their security by the falling of stock to 25; and suppose the plan should provide, that then the stock should, at that price, become the property of the holders of the stock-notes, and be transferred to them in proportion to the amount of the notes held by them respectively, unless redeemed immediately by the proprietors of the stock; it may be made clear, that he that was the original stock-holder cannot be hurt by having received the notes, even though he should not redeem the stock. For if he has retained the right of redemption, and consequently the risk, it is by his own voluntary act that he has done so. He might have sold out; but, having retained the stock, he cannot suffer more by parting with his stock now, than if he had held it on, and was now to sell it, without having received any stock-notes. He may even have an advantage by buying an equal quantity

quantity of the stock at the reduced price, supposing it below 25, or prevent a loss if the price is 25, or upwards; and, upon both suppositions, five thousand pounds, or thereabouts, would replace his twenty thousand pounds stock.

FOUR things must concur in order to occasion any actual loss to the transferrer of stock upon this plan. First; the stock must fall below 25. Secondly; the transferrer must be unable to redeem it at that reduced rate. Thirdly; the stock must afterwards rise to a higher price. Fourthly; if there be (as of course there must be) an interval of time between the fall and the rise, the transferrer must continue, during the whole interval, unable to purchase a quantity of stock equal to what he had when he obtained the notes.

THE occurrence and operation of these numerous causes is a most improbable supposition; especially considering that the transferrer must be understood to have received an equivalent in property of some kind on parting with his notes, and, therefore, may be expected to be able to redeem his stock, or to buy an equal quantity at the supposed price of 25.

BUT perhaps the stock-notes may have been applied to purchase land or land-tax.—*Well*, at least

least the transferrer has then realized half the amount of his stock at the present price, besides the annual increase of £. 250 upon his £. 20,000 : and he must consider that, if he had continued to hold his stock till the supposed period of ultimate depreciation, his loss would be greater than it can be upon any supposition affecting this plan ; which includes the annual gain of £. 250 upon the £. 20,000 stock.

SECT. VI.—*They might gain too much by it.*

IF, according to the supposition above made, fifty millions could thus be brought into circulation, the gain to the stock-holders would be £. 2,500,000 sterling annually, and so in proportion, if the circulating medium should be used in less or greater extent.

BUT two millions five hundred thousand pounds would be too great a gain for the stock-holder, who could not reasonably expect to have so much, especially if the scheme be attended with only part of the other advantages (including that of safety) which I have stated.

SECT. VII.—*Government must partake with them
in the Profits.*

THEREFORE I COME NOW TO CONSIDER THE INTERESTS
OF GOVERNMENT AND THE BANK OF ENGLAND.

IT may be thought proper that so much of the dividends as is equal to 5 per cent. on the stock-notes should be kept back by Government: that is, that the payment of so much of the dividends should be suspended during the war, and that the amount of these dividends should at the end of the war be divided between the stock-holders, the Government, and the Bank of England, in such proportions as may be agreed upon. In speaking of the stock-holder in this place, I mean the person who should actually possess the stock at that period; and his share of the accumulated dividends should then be added to his capital, and the future interest of it provided for by taxes, unless Government should then be able to pay the arrears of dividends; I mean the stock-holder's share of those dividends. In case a suspension of dividends should be thought improper, some other arrangement might be adopted, as the mutual interests of Government and the stock-proprietors might dictate.

IF Government could, by this means, suspend during the war the payment of dividends to the amount of two millions five hundred thousand pounds, or even half of that sum, such a postponement, or any equivalent advantage to Government, would be attended with important consequences.

FUTURE LOANS might be negotiated on better terms, the price of stocks being supposed to rise as well in consequence of the advantages given to the stock-transferrers, as of the taking of a great quantity of stock out of the market. The REDEMPTION of the LAND-TAX would be facilitated, and the necessity to sell stock would be very much diminished, at the same time that there would be a great increase of inducements to buy and hold stock.

SECT. VIII.—*So must the Bank of England.*

IN regard to the BANK of ENGLAND, the advantages to be allotted to that company would be such as might be agreed upon between them and the stock-transferrers, by way of an annual increase of the BANK PROFITS; and also as a compensation for the charges of management. But there is no occasion at present to enter into details upon this part of the subject.

SECT. IX.—*Question suggested.*

AFTER ALL, however, there remains the question before suggested: “ Could these STOCK-NOTES be
 “ used as a Circulating Medium; or, in other words,
 “ would they pass as MONEY ?”

THIS I cannot determine ; but I see many considerations which may be supposed to operate towards causing the free and general currency of these notes.

THE security upon which the notes are to circulate, would be a FIRST MORTGAGE ON the PROPERTY AND INDUSTRY of the NATION. The scheme would raise the value of the funds, and would advance our AGRICULTURE, as well as extend our TRADE, both foreign and domestic, by bringing into action a new and great CAPITAL : and all this would tend to improve the STRENGTH of the NATION. Hence greater SAFETY to every part of our property.

THESE appear to me to be sufficiently powerful inducements to the public to receive and circulate *as Cash* the proposed stock-notes.

BUT

BUT if, in fact, the security for the National Debt is not to be esteemed good for a fourth part of its nominal amount, then, I fear, our case is hopeless indeed. This, however, appears to me to be a groundless apprehension.

AT all events, the caution of the most fearful must have some limits; and if, through the prevalence of distrust, the notes described could not be circulated at 25, they might undoubtedly at some lower rate. Therefore, the objection founded on supposed insecurity, does not reach the principle of the measure, and can only at the utmost confine its operation.

SECT. X.—*The Plan may be improved.*

THIS scheme, if it has any thing of value in it, may undoubtedly be *improved*; and, perhaps, the indirect and collateral results from it may be as considerable as its direct and immediate effects.

I AM not, however, so fond of my plan as to make an unqualified supposition that it is capable of producing such great advantages as I have described. Yet I do not mean to conceal that I have a strong confidence in it; and I own, if I were to
indulge

indulge my present thoughts, I should say much more of the advantages I expect from it.

SECT. XI.—*General Observations.*

BUT I shall now only make a few GENERAL OBSERVATIONS, which shall conclude this Letter, and the trouble which, SIR, you have allowed me to give you.

First, IN A COMMERCIAL COUNTRY THERE SHOULD BE AS LITTLE DEAD OR UNPRODUCTIVE CAPITAL AS POSSIBLE: but the wealth of individuals collected in the funds is *dead to trade and general use*, except only so far as the dividends are spent and circulated, and not invested in the same funds by way of farther accumulation.

And, *secondly*, THERE OUGHT TO BE NO SUCH THING KNOWN AS WANT OF MONEY;—and, in my opinion, no such want *could* be known in a perfectly well-regulated commercial state: I mean no want of that kind should be known or felt by those who possess property of any kind, whether it consists of lands, merchandize, or credits well secured. All such property should enable the owner to procure a REPRESENTATIVE SIGN capable of general circulation. I say this, subject to many obvious RESTRICTIONS.

SECT. XII.—*Originality of the Plan.*

IT was, by thinking for a long time upon these two principles, and by turning over in my mind several plans for procuring money for some persons of property, who found it difficult to obtain Loans, that I was led to the present DISCOVERY, if it is one, as I believe it to be. To me, at least it is *new*, and so it has appeared to those friends to whom I have communicated it: but if any one shall dispute the absolute originality of the thought, I shall not be much concerned about that, because it is quite certain that in its operation it will be new, and, what is infinitely more material, the advantages of it will be confined, almost exclusively, to OUR OWN COUNTRY, where alone such a great capital as I have proposed to put in circulation is to be found.

I have the honor to be,

S I R,

&c. &c. &c.

LONDON,
Sept. 27, 1798.



A METHOD

OF

Increasing the Quantity

OF

CIRCULATING-MONEY:

Upon a new and solid Principle.

LETTER II.



ADVERTISEMENT.

THE measure suggested in the First Letter on this subject having been approved of by a very great number of those who are best qualified to judge of it,—including persons of ALL ranks and parties, without distinction;—I consider it as a tribute of respect due to those who have given their sanction to the general idea of the plan, to submit to them the following detail of its proposed practical application, together with answers to some objections:—my design, in respect to the distribution of this Letter, being to limit it, for the present, to those persons whose opinions and suggestions upon it, as a sketch still admitting of IMPROVEMENT, I am desirous of obtaining.

24th JUNE 1799.

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A

M E T H O D,

ᄃc. ᄃc. ᄃc.

SECT. I.—*Proof of the Necessity of an Extension of the Circulating Medium; which had been before assumed.*

SIR,

IN my former letter upon the subject of my proposal of a method of increasing the quantity of circulating money, I assumed the necessity of the measure to be self-evident to those who give attention to the whole circumstances of the case: but, as I find there are *some* who deny the want of an increase of circulating money, I should wish to remind those persons, that they have overlooked several important considerations. It is evident they pay no degree of attention to the impracticability of *borrowing money on LANDED SECURITY*, in consequence as well
of

of the high rate of interest obtainable from Government securities, and the expectation of future gain by the rise of stocks, as of the great profits which trade affords; by the operation of which causes, the WHOLE circulating capital of the nation is drawn away from land to those more profitable objects; except what is taken up on ANNUITIES,—the most pernicious mode of raising money, but at this time the *only* expedient by which land-owners can borrow.

THE persons who maintain that there is at present no want of money also overlook the possibility (*or rather the certainty*) that at some period, not very distant, TRADE itself will again feel that distress from the obstructed circulation of money, which occasioned such extremely serious alarm in 1793 and 1796, and the early part of 1797.

I SAY this without supposing a want of general prosperity in the country: the distress I allude to may even be caused by the increase of the commerce of the nation, which possibly may yet be doubled; but certainly not without wanting a double capital in money.

THE late sudden and great increase of taxes will also require an addition to be made to the circulating medium.—THE GOLD withdrawn from circulation must also be supplied by PAPER.

THE unusual facility with which money, or Bank-paper, which is *money* whilst it circulates *as such*, has been procureable for some time past by persons of good credit, by way of discount of commercial securities, is chiefly a temporary consequence of the preparation of money to be employed in the Government loan which was eagerly expected during the late winter and spring. We all remember the disappointment of the money-lenders in November last, when Government borrowed only three millions out of fourteen that the loan was expected to consist of. Since that time, no doubt, there has been plenty of money for temporary occasions, but not to lend on mortgages or on personal security, apart from trade. These very opulent persons, who boast of such an abundance of money, will not invest any part of it in purchasing the land-tax, nor in loans to private persons; except in discounting bills or notes for the short period of sixty days, from which there results a greater gain than five per cent. per annum.

PERMANENT LOANS, such as are adapted to the slow returns of agriculture, and cannot yield more than the legal rate of interest,—these they utterly decline: and for an obvious reason.—Land-owners have no means of giving more than five per cent. interest,—except by the

destructive means of granting *annuities* before taken notice of; but *persons in trade* feel no difficulty in holding forth to *bankers* the temptation of more than the statute-rate of interest upon loans of money, by means which *custom* warrants, and which the *profits* of trade are more than equivalent to.

No person who has been much accustomed to transact loans on *mortgages* will deny the want of money, even its entire absence, in *that* channel of circulation; nor can any person who is moderately conversant with what passes in Westminster-Hall be uninformed of the distress which this want of circulation occasions to those who, having formerly lent money on land, now want to have it returned, as well as to the unfortunate debtors, who cannot find persons to assist them in paying off their debts by taking transfers of the existing mortgages. It is well known to conveyancers that mortgage debts are *most commonly* discharged (even when money circulates freely) by transfers to other mortgagees, and not by actual payment on the part of the landowners, who are *seldom* capable of redeeming their lands: more frequently payment is made by selling the incumbered estates.

SECT. II.—*Danger of the Landed Interest.*

WITHOUT something done to assist the LANDED INTEREST, the property in land will change hands almost universally, or to a great extent, within a few years: lands will be brought to sale through the pressure of general distress on the part of the land-owners, and the price, which was for some time kept up by peculiar causes, will then fall very low.

It is beginning to fall already; and I have been well informed that an uncommon proportion *in value* of the estates put up to sale by auction within the last year and more, have been bought in for want of purchasers at a fair price.

It is high time that the land-owners should begin to look carefully to their own accommodation in respect to the circulation of money; otherwise they must be ruined. This is stating the case without exaggeration; for the merchants are getting vast fortunes, whilst the land-owners are dwindling into comparative insignificance, and are in no small danger of becoming “hewers of wood and drawers of water” to their rivals, the men of trade.

I SHOULD not state the matter in these strong terms, if I had not a full conviction that the landed interest, a very great part of it, is in imminent danger from the circumstances above set forth; and if I did not know that stating the case in a cold manner, destitute of energy, would utterly fail to produce any effect upon that class of society to which this part of the subject is peculiarly addressed.

FOR there are natural and permanent qualities in the character of the landed gentry of every country which cause them to give a languid attention to their interests *as a body*; the indolent and tranquil enjoyment of a revenue coming to them almost spontaneously, without much thought or any labour, having naturally the effect of indisposing them to the consideration of danger at a distance.

THEREFORE I cannot reasonably expect to be much listened to by those who are most concerned in what I am now saying, unless some of their own order, or others whose judgment they are accustomed to respect, shall support me in warning them of their danger, and at the same time recommend the proposed means of relief; or until a nearer approach of the mischief, with some feeling of it, shall awaken their attention.

SECT. III.—*Correction of a wrong Supposition made
by some Persons.*

IT has been supposed by some persons that, because I have, in my former Letter, mentioned *fifty millions or more* as the sum which my scheme *might* furnish for the purposes of circulation, it was my view to have such a large sum of money put into circulation whether the occasions of the country required it or not; and upon this mistaken supposition they have argued, that a proportionable increase of the prices of commodities would take place. But I have not proposed any thing like this, though I admit I might have excluded such a supposition in terms more guarded and less liable to be misunderstood. I did not however speak quite incautiously; for, after mentioning fifty millions or more, I added, “*if so much could be EMPLOYED:*” and in a former passage, I had proposed the scheme to be put in practice upon the ground and within the limits of *necessity* and *utility*, which I thought a sufficient intimation of the moderate use I wished to be made of the plan. But even if I had contemplated an immediate issue of such a vast quantity of paper money, it would not have raised any fair objection to the principle of the measure; and indeed the
whole

whole objection is only applicable to the abuse of the plan, and takes for granted that it is to be acted upon without regard to ordinary discretion.

SECT. IV.—*Prices of Commodities not inconveniently raised by Paper-Money.*

THERE are others who have contended, that an inconvenient increase of the prices of all commodities would take place, if *any* addition were made to the quantity of circulating-money. To this I answer as follows:

THE increase of money would not, I think, have the effect of *raising prices* in respect to the NECESSARIES of life, because the *quantities* of them (supposing the money judiciously applied by bringing more land into cultivation) would be *increased* in a greater proportion than the money; yet I do not deny that such articles of luxury or curiosity as cannot be increased in quantity by cultivation or manufacture, would advance in price: but I suppose this will not be much insisted upon.

FURTHER, this objection might with equal reason be urged against any other measure which should tend gradually to increase the money of the country; and

and yet such an increase has been at all times, and probably will always continue to be, an object of eager pursuit, notwithstanding the supposed increase of prices consequent thereon.

IN fact, a moderate increase of prices is not an evil; for such an increase tends to the extension of agriculture and manufactures, and to stimulate industry in every possible way, and therefore is a great benefit to a country by augmenting the quantity of its commodities; and this, by its reaction, prevents the rise of prices from being too rapidly accelerated.

EVEN high prices are only disadvantageous when they are occasioned by a permanent, or an extreme scarcity of commodities, or a very sudden scarcity, that is, when the demand continues for a long time, or in a very uncommon degree, or suddenly happens to exceed the supply; and, in general, a period of high prices is soon followed by abundance, and sometimes by extraordinary cheapness; the high price operating as an incitement to produce new and greater quantities of the commodity which yields an unusual profit.

ADD to which, that the rise of prices is, in a great degree, an imaginary evil, so far as adding to the stock of money may be supposed to occasion the
increase

increase of prices; for, in general, every man's share of money would be increased too. The price of labour would rise as well as other things; and this joint increase would cause new exertions of diligence, by inciting or obliging many persons to work who are now idle, or to work with greater diligence than before.

I EXCEPT, however, the case of persons who live on fixed incomes, which they are incapable of enlarging. To them, every increase of prices cannot but be a disadvantage. It is an unavoidable inconvenience, necessarily attendant upon the stationary position they hold. But it is not to be expected that the general progress of society is to be retarded, in order that these persons may feel no manner of inconvenience from the circumstances which keep them in a state of inactivity, or hinder them from bettering their fortunes. The vigour of the nation cannot be kept down to the *par* of their imbecility; nor would this finally be any benefit to them, but very much the contrary: even if all neighbouring countries should, by universal agreement, consent to be stationary too,—ceasing their progression in the arts and enjoyments of life. However, in the end, even persons thus circumstanced would,—I mean *many* of them,—derive advantage from the operation of the plan,
by

by partaking, from collateral and accidental causes, in the general prosperity; and *all* of them would be eased by the reduction of taxes, which would be one of the most probable and most extensive consequences of the proposed measure, as more fully noticed in a subsequent part of this Letter.

SECT. V.—*The Advantages of the Plan, how to be disposed of.*

IT has been said, I understand, by some persons, that there is a *partiality* in giving to the stockholders the great advantages I have spoken of.

I HAVE said the emoluments to result from the plan ought to be divided between the Stock-Proprietors, the Bank of England, and the Government, (that is, the nation at large,) in such proportions as may be agreed upon; of course, in just and equitable proportions. Surely *some* share of the advantages must be given to the stock-transferrers, and sufficient to induce them to engage their property in the execution of the scheme. This is all that I have in view, or have suggested.

AND this may be done in the following manner:
—Let the privilege of issuing the proposed notes

be given to the Subscribers to FUTURE GOVERNMENT LOANS: and as the Subscribers, with this *bonus* given to them, would take the loans on better terms, in proportion to the advantages they obtained, *the whole Public* would by that means largely participate in the profit to result from the scheme.

SECT. VI.—*How the Plan may be applied to the Relief of the Landed Interest.*

My design from the beginning was, and still is, to accomplish, if I am able, the procuring of assistance to those who want money upon the security of land to enable them to pay their debts, or to improve their estates; and even this not for their sakes only, but for the general good of the country.

If the scheme I have proposed should take a more extensive range, and become applicable to other purposes besides the relief of the landed interest, it will be an accidental result. I was looking for one thing, and it may turn out that I have found another of more importance; or rather an application of what I had in view to a more important subject. I believe this is what commonly happens in such cases.

BUT

BUT (in relation to the landed interest), I think the plan in question may be adapted to the accommodation of the LAND PROPRIETORS in the following manner :

LET the persons who are to obtain the notes upon the security of their transferred stock engage to lend the notes upon MORTGAGES of LAND, and to deposit the mortgages in the Bank of England within a limited time; their transferred stock being a security for the performance of this engagement. And let the Mortgages, when deposited, be declared by the act of the Legislature, which is to establish the whole measure, a further and collateral security for the amount of the circulating notes;—each mortgage for the amount of the notes lent thereon. Thus the note-creditor, however well satisfied he might be with the original security of the stock, would have another security of probably twice the amount of the notes,—a security far superior to that of an undefined, and, in some measure one may say, an imaginary quantity of gold deposited in a Bank. Every million of notes would be represented by four millions of stock and about two millions sterling in land!—I do not, however, mean to represent this ADDITIONAL security as NECESSARY to give strength to the original plan. I propose it as

subordinate and convenient merely, not at all as being essential.

THE mortgages when deposited would be capable of being transferred like other mortgages, but always subject to a general LIEN for the amount of the notes lent thereon; and might be discharged by bringing in to be cancelled an equal amount in notes of the same kind; these being cancelled, (that is, an equal amount, not the identical notes lent upon each mortgage,) the land might be reconveyed to the proper owner for the time being, discharged of the mortgage. And, at the same time, the transferred stock connected with the mortgage so released, might be re-transferred to the person to whom it should then belong.

BY this means there would be a constant tendency of some portion of the notes to return into the Bank to be cancelled; which would prevent an excessive accumulation of the quantity; some periods might also be fixed for this purpose, and with this view; whereby the gradual and final extinction of the notes might be provided for, if a change of circumstances should require such extinction,

THIS operation of lending upon mortgages should be left, I think, to the discretion of the

INDIVIDUALS by whom the loans are made, both in respect to the titles to the mortgaged lands, and the quantity of security, and, within some limits to be prescribed, the periods of repayment also; except that some superintendence would be proper merely to ascertain that the loans were made *bonâ fide* upon the lands appearing in the several mortgages, and not employed for any other purpose in the first instance.—Of which the deposit of the mortgages, with proper inspection, would furnish good evidence.

THE risk of the security would upon this footing rest upon each individual lender; but that risk, after the plan shall have been acted upon for some considerable time, would be much less than it is now in similar loans; because, as by the means proposed there would be established a very extensive *register of mortgages*, the disputes and frauds which too often attend securities of that nature would to a great degree be avoided.

THIS restriction of the loans (so long as it should be thought right to continue such restriction) to landed securities would in itself limit the quantity of the proposed notes to the amount of the demand of money by land-owners desirous of borrowing. From them the money would be absorbed into the
general

general circulation, by payment of their debts, and by their making agricultural and other improvements.—By this means, also, tradesmen who are distressed for want of more early payment than they now receive, would be enabled to carry on their business and make their own payments with greater facility and more comfort than they can do at present.

SECT. VII.—*General Advantages.*

THUS, PUBLIC INDUSTRY would receive a new impulse, employment would be given to many who are now in want of it, lands now unimproved and waste would be brought into cultivation, houses and other buildings would be repaired or erected, canals would be completed that are now left unfinished for want of money, bridges would be built, mines would be worked, NEW SOURCES of trade would be opened, and COMMERCE in a thousand ways would be invigorated and put into a state of activity.

THIS may seem to suppose a more free use of the proposed money than could probably take place through loans on land only ; but in whatever way, or to whatever extent, the money should be employed, the mass and quantity of useful and necessary commodities,

commodities, and consequently the comforts of the people, would be increased by this additional stimulus given to the national exertion. This increase would be proportionably greater than the increase of money, supposing the latter to be added to with discretion and by slow and gentle degrees, and not by an inundation of new representative-signs; for it must all along be borne in mind, that PUBLIC WISDOM is to direct the operation and to be employed in controlling the tides of this new money.

SECT. VIII.—*Effect of the Plan upon the Rate of Interest, and Reduction of the National Debt.*

ONE of the most direct consequences to be expected from my plan, is the lowering of the RATE OF INTEREST. If it should be reduced generally below five per cent. that reduction would take away a part of the gain originally computed in the plan. But this would be counterbalanced by the good effects which a low rate of interest always produces, and by other beneficial consequences which the plan may be made to accomplish.

INDEED, this lowering of the rate of interest would be, above all other means, I conceive, the
best

best auxiliary to the fund established by Parliament for relieving the nation from the pressure of its GREAT DEBT.

A MOST happy event it would be, if the five per cent. stock could be reduced to four, and the other stocks in like proportion. A reduction to that extent would be the same thing in substance as a gratuitous extinction of a FIFTH PART of the NATIONAL DEBT; which consists altogether, in respect to the right of demanding payment, in the ANNUITY payable by the nation to its creditors. Nor would it be difficult to effect a reduction to this amount by the help of the plan in question; supposing the funds shall ever again come to the prices they were at in 1792; a supposition which this plan would also tend to realize. I admit that this reduction can only accompany the fall of the market-rate of interest.

THIS operation of diminishing the annual outgoing might begin precisely at the period when the SINKING FUND would lose part of its beneficial efficacy, in respect to buying up the public debt, on account of the near approach of 3 per cent. stock to par; in which stock purchases could then no longer be made with advantage, till the whole of the 5 per cent. and 4 per cent. stocks should be
bought

bought up. And though the latter stocks would be above par, the public would derive no gain from that circumstance, though the stock-holder might seem to sustain a loss by having his stock paid off at par. But the near prospect of such an event would keep those stocks from attaining the prices they would otherwise reach.

As, at the period I am now speaking of, the annual produce of the SINKING FUND could not, for the foregoing reasons, be applied with great advantage in buying up the national debt, I submit it might then be better disposed of, as a PREMIUM, in conjunction with the PRIVILEGE of issuing the notes in question, towards inducing monied men to lend large sums of money at a rate below the then current rate of interest to be applied in paying off at par those debts which now carry a HIGH interest. It will be soon found that I am not speaking without consideration when I talk of borrowing *below* the current rate of interest, if that is not apparent already.

IN this way, though the *nominal* amount of the debt might continue to be the same as before, still the nation would be relieved by the reduction of the *annuity* in which the debt substantially consists; and TAXES might then be repealed to a proportion-

able amount, or the SINKING FUND might be enlarged, supposing the whole taxes to be sustained some time longer: or, the *saving* might be applied in part to each of these objects.

To explain this proposed operation by an example:—Let us imagine an estate to be incumbered with a debt of £. 100,000, at 5 per cent. interest, or £. 5000 per annum. Then conceive the owner to be possessed of £. 10,000 in ready money, which if applied towards payment of the debt would reduce it to £. 90,000, and the annual interest to £. 4500. But the owner, having regard as well to his own future convenience as to that of his family after him, is desirous that his estate should be liable to a less annual outgoing; and therefore proposes to give the ten thousand pounds of which he is possessed, as a *premium* to induce some person to pay off the debt on the estate, and to accept a transfer of the security at a lower rate than 5 per cent. And, in order further to abate the interest, he offers to give to the lender some *extremely valuable privileges* of which he may be supposed to have the command. Add to this an expectation then formed, that the current rate of interest will speedily fall below 4 per cent. by the operation of some known causes.

UNDER these circumstances, we may suppose that the new lender would advance his money at a lower rate than 5, or even than 4 per cent.—Grant it might be 3 per cent.—And if this should be the case, the annual incumbrance on the estate will be reduced from £. 5000 to £. 3000.

I THINK the analogy is so plain, that it is hardly necessary to add that the £. 10,000 represents the produce of the *Sinking Fund* for a short period, suppose two or three years (more or less); and the *privileges* hinted at are correlative to the issuing of notes to circulate as money on the credit of stock.—The rest is quite obvious.

SUPPOSING this to be understood and assented to, I may now go on to say, that if, at the period above alluded to, the produce of the INCOME TAX should be applied in the same manner towards the reduction of the rate of interest, the *effect* produced in that way would be *greater*, and the *tax itself* might properly be made to cease *sooner*, than by its application towards extinguishing the capital of the public debt.

AND in this respect, as well as in the general tendency of the plan to produce an abatement of

taxes, persons of fixed incomes would have the satisfaction of seeing their own advantage connected with the public welfare; a circumstance which I have before alluded to, and which I have great pleasure in thus explaining and confirming: for I am anxious that my proposal should produce nothing but GOOD; if that CAN be.

I ALLOW, that; so far as the produce of the *Sinking Fund* and that of the *Income Tax* are called in aid of this reduction of the annuity, the reduction would not be *gratuitous*; it is true:—but this does not hinder my first suggestion on this point from being also true, namely, that the reduction in question might be brought about merely and solely by the help of this plan.—I believe it *might*, considering the *command over the rate of interest* which it would give to those who hold the reins of government: a most important CONTROL *in the hands of those who are to manage on the part of the DEBTOR!*

YET it still may be proper to make the Sinking Fund and Income Tax co-operate to the same end; by which means a greater and more speedy effect will be produced towards lessening the national debt, than could be managed by the unassisted operation of this plan.

THERE

THERE certainly is not any thing that can so effectually promote this reduction of the annual outgoing, as keeping the circulation of money constantly full, and by that means lowering the rate of interest; which hitherto there has not existed the means of doing, but which by a right use of my plan may be accomplished: and this makes it be, what I humbly conceive it is,—*a great political engine*; in a word, A NEW POWER. I cannot refrain from saying *so much*; for either it is THAT, or it is NOTHING.

SECT. IX.—*Bank of England.—How this Plan may be connected with it.*

IT appears from the evidence before the SECRET COMMITTEE ON BANK AFFAIRS, that there were times within the ten years which preceded the Bank's ceasing to make payments in cash, when the directors *deliberated* on reducing the rate of discount: but they never did it; and though the reasons why they did not are left to be conjectured, it appears to me most clear that one of the principal causes which hindered the establishment of that salutary regulation, was an uncertainty on the part of the Bank, whether they could constantly keep the circulation full, or whether they might venture to encourage

encourage the abundant circulation which a low rate of interest would tend to promote.

How soon, under the present circumstances, the Bank may again think fit to lessen the amount of their *discounts*, I do not pretend to conjecture; but some considerable effect in that way might probably be produced by a repeal of the present restriction on the issue of *cash*.

I NOW come to shew how my plan may be connected with the establishment of the BANK of ENGLAND.

I SUBMIT that THAT BANK, though it has peculiar interests of its own, may be moulded to purposes of public utility within the limits of a just and reasonable regard to those its interests. It OUGHT NOT to stand in the way of the general good of the community.

THEREFORE, with due regard to the Bank interests, I go on to say that there ought to be a PROPORTION between the Bank capital and effects, and the amount of the notes circulated on the credit thereof.

I PRESUME to suggest, that THAT PROPORTION should be publicly *known* and *regulated by law*.

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This *publicity* would at all times protect the Bank against a *run* upon it, which can only proceed from panic fears and a distrust of its security, occasioned by ignorance of its actual situation.

THE amount of the circulating notes of the Bank, that is to say, *circulating on the credit of the Bank capital*, ought never to exceed a *fixed sum*; let us suppose twelve millions.

ALL circulating bank paper *beyond* that amount ought to rest on other security.

Now to apply these principles; let the Bank issue its own notes instead of the notes I have called stock-notes. Let there be no distinction.

BUT let the Bank be *permanently protected* by law against paying CASH beyond the amount of its own proper or restricted quantity of notes—*its own debt*—the twelve millions above mentioned.

Now suppose twenty millions to be in circulation, or any given sum exceeding twelve millions, the Bank might be liable (supposing the present restriction taken off) to be called upon for *cash* to the amount of twelve millions; — but the surplus sum they could not be required to pay in
cash;

cash; therefore they could not say their own establishment was endangered by the additional quantity of notes circulated on the credit of stock.

BUT if twenty millions were in circulation, the general call on the Bank for cash may be supposed to be proportionably greater than if only twelve millions circulated; therefore the Bank must keep a greater proportion of gold in their treasury to carry on its business; and for this, as well as for the management of the additional issue of notes, the Bank should receive a compensation, including a reasonable profit.—I shall for the present rest the matter here so far as concerns the Bank, conceiving that all its essential interests are thus fully taken care of.

SECT. X.—*The Security and Convenience to the Public under this Plan.*

IN respect to the PUBLIC, I cannot discover any objection that they can make to the increased circulation of bank notes upon the principles now laid down. They have been content with an almost total restriction of the issue of gold in payment of bank notes, and why should they not be equally well content with having a moderate proportion of those notes permanently exempted from being paid

paid in cash, there being other and most abundant security for their amount?—To suppose any inconvenience, one must make a previous supposition that all the notes of the Bank of England, circulating upon the credit of their own capital, are required to be paid in cash, with a settled purpose not to let it return there. But this supposes the natural death of the Bank; a perpetual cessation of its use as a bank: a most chimerical supposition! But even granting this infinitely improbable event to take place, still the surplus quantity of notes would be represented by a fourfold quantity of stock and a double value in land, and these remaining notes would then be more convenient and necessary than ever: for the Bank of England notes, its own proper and restricted quantity, being supposed extinguished, the surplus notes would be essentially necessary to the purposes of COMMERCE, if any were supposed to remain.

THESE NOTES WOULD THEREFORE CONTINUE TO CIRCULATE; and by suitable provisions to be made by the Legislature at that time, might be liquidated in gold and silver as occasion might require. To suppose the contrary, is to suppose trade annihilated and all occasions for remittances from place to place within Great Britain to be put an end to for ever. So that it is only by imagining several events to take place, each

of them involving very high degrees of improbability, that the circulation of the proposed notes once begun can be expected ever to cease.

THE supposition of the extinction of that quantity of notes which is peculiarly to belong to the Bank of England, I need hardly say is made by way of argument, and not with any expectation of its ever being realized. But the very putting of such a case, even in this way, may appear alarming to some; therefore, I might propose that the whole profits to result from the new quantity of notes should be, annually or half yearly, subjected in the first place to indemnify the Bank of England against such loss or detriment as this scheme may bring upon them; that indemnity being made good out of the dividends of the transferred stock. I believe such a guarantee (under circumstances so very improbable) from the new system to the old one, would not deprive the former, the new system, of any part of its efficacy, or cause the stock-proprietors to abate their expectations of gain from the operation of the scheme. The effect of such arrangement would be, that the Bank of England would have constantly a profit upon twelve millions, or whatever might be the restricted or the actual amount of their circulation, not exceeding twelve millions; and the stock transferrers would have the profit upon

whatever might at any time be the additional quantity; subject, in respect to the latter, to a proper deduction out of the dividends of the transferred stock for the charges of management and otherwise in favour of the Bank.—I believe this will appear easily intelligible to those who will take the trouble of thinking a little upon the point: but I am sensible this part of the case requires rather more attention than the rest.—It is, however, of the least consequence, as it applies only to the most improbable of all the suppositions which the case requires to be made: and if it creates a difficulty in the mind of any reader, it may be passed over, without any disadvantage to the right comprehension of the scheme: for it is only an answer to a very refined and even imaginary objection.

SECT. XI.—*Conclusion.*

BUT, the original question recurs:—Is there a *want* of circulating-money? And also the other question, —WILL the *Public* receive and circulate *these* notes as *cash*?—Concerning both of which questions, if I expressed naturally and without reserve all that I think and feel, I should manifest such a degree of confidence of having made good what I have had in

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view,

view, as would scarcely seem consistent with that deference with which I mean, Sir, to submit the whole matter to your superior discernment; as I must ultimately do to the JUDGMENT of the Public.

FOR the sake of brevity, and for other reasons, I have omitted some things that might be said in confirmation of my positions, and perhaps even some explanations that may be thought necessary by those who are fond of minute statements; but I think it best to leave the matter here.—Permit me, therefore, to conclude with what I cannot but think very honourable to myself—I mean, a declaration of the sincere and respectful attachment with which I am bound ever to be,

S I R,

Your devoted and faithful servant,

&c. &c. &c.

LONDON,
18th June 1799.



POSTSCRIPT.

A SMALL number of Copies of this Second Letter having been distributed, I have the satisfaction to find it is allowed, by persons in whose judgment I have great reason to confide, that the SCHEME is PRACTICABLE, and may prove USEFUL *in its present shape*.—But I neither expect nor desire its adoption till the necessity of it shall be generally acknowledged.—Perhaps the universal admission of this necessity is very near at hand; for at this moment an uncommonly great *Scarcity of Money* (such as was predicted in page 8. of this Letter) is felt in TRADE, as well as by the LANDED INTEREST; and this Scarcity, if permitted to continue and increase, (which it will do, unless checked by timely precautions,) will be productive of extremely distressing CONSEQUENCES.

THERE were inserted, in the distributed Copies of this Letter, some particular *objections* which had been made to the proposal, as stated in the first Letter, together with answers thereto. Those objections are now omitted, the latter part of the Letter which contained them having been re-printed
for

for that purpose.—This was done in compliance with a wish from the quarter from which the objections were communicated to me.

I HAVE not heard of any other objections which, in my opinion, (judging with as perfect an indifference as I am able to do in my own case,) apply fairly and correctly to the plan; supposing the Explanations and Modifications contained in this Second Letter to be duly considered.

24th Sept. 1799.



